

C

IN THE MATTER OF

Abitibi Power & Paper Company,
Limited

TENTH REPORT
of Receiver and Manager

27th April, 1942

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PROVINCIAL PAPER, LIMITED

Abitibi Power & Paper Company, Limited

TENTH REPORT of Receiver and Manager

Attached hereto is audited Balance Sheet of Abitibi Power & Paper Company, Limited, (hereinafter called Abitibi) as of date December 31st, 1941, together with statement of the results of its operations—with those of its wholly-owned subsidiaries—for the year ending on such date: also attached are audited Balance Sheets and Profit and Loss Accounts, as of the same date, of certain of such subsidiaries, and of Provincial Paper, Limited, the common capital stock of which, only, is owned by Abitibi.

With continuation of the abnormal conditions brought about by the War, shipments of newsprint by Canadian mills were 3,454,665 tons in the year ending December 31st, 1941, as compared with 3,435,934 tons in the year ending December 31st, 1940. Such shipments were made:

	in 1940	in 1941
To Canadian customers.....	183,894 tons	196,766 tons
To the United States.....	2,594,452 tons	2,770,002 tons
To Overseas markets.....	657,588 tons	487,897 tons
Total.....	3,435,934 tons	3,454,665 tons

Newsprint manufactured by Abitibi and its wholly-owned subsidiaries amounted to 454,840 tons in 1941, as compared with 430,299 tons manufactured in 1940, and in compliance with the requirements of the Provinces of Ontario and Quebec that newsprint mills in such Provinces be operated at approximately equal ratios of production (as compared with their respective productive capacities) in order to provide relatively equal employment of labor and use of natural resources in the localities in which they are situate, such newsprint was produced by Abitibi:

131,351 tons at its Iroquois Falls (Ontario) mill,
79,211 tons at its Sault Ste. Marie (Ontario) mill,
65,732 tons at its Port Arthur (Ontario) mill,
44,979 tons at its Fort William (Ontario) mill,
65,536 tons at its Beupre (Quebec) mill, and
68,031 tons at its Pine Falls (Manitoba) mill,

included in which was 101,797 tons sold to other newsprint manufacturers.

The general base contract price for newsprint sold in the United States was the same in 1941 as in 1940, namely \$50. (United States funds) per ton, f.o.b. mill, with freight allowed to destination. In December, 1941, and in view of increased costs of manufacture and delivery, an increase of \$3. per ton in the United States—effective on and after April 1st, 1942—was announced by a number of Canadian companies. On March 26th, 1942, the Price Administrator in the United States ordered continuance there of the \$50. price until May 30th, 1942: at the date hereof no increase over the 1941 price—for newsprint to be consumed in Canada—had been approved by The Wartime Prices and Trade Board.

In addition to the newsprint above mentioned, the newsprint mills of Abitibi and its wholly-owned subsidiaries produced 19,287 tons of substitute wood fibre products, during the year.

With continuation of the abnormal conditions which have arisen by reason of the War, sulphite and other wood pulps produced by Abitibi in 1941 were as follows:

At the Smooth Rock Falls (Ontario) pulp mill—

Sulphite pulps—bleached.....	60,582 tons	
—unbleached.....	948 tons	
—screenings.....	2,272 tons	
		63,802 tons

At newsprint mills of the Company—

Sulphite—newsgrade.....	28,454 tons
Groundwood pulps.....	968 tons
or a total of.....	93,224 tons

as compared with 75,926 tons produced in 1940.

Prices of bleached sulphite pulps (delivered at New York dock) were \$72.50 per ton in 1941, as compared with an average of \$66.62 per ton in 1940 and \$50.00 per ton in 1939.

Prices of newsgrade sulphite pulps (delivered at New York dock) were \$59.50 per ton in 1941, as compared with an average of \$53.37 per ton in 1940 and \$36.00 per ton in 1939.

COMMENTS WITH RESPECT TO RESULTS OF OPERATIONS IN 1941

Statement of the earnings of Abitibi and its wholly-owned subsidiaries for the year which ended on December 31st, 1941, is set out on Exhibit 1-B attached. The following comments are made with respect to such statement and/or items contained therein :

- (1) Excess of income over expenditures, in the year, *prior* to charges for depreciation, bond interest, and income and excess profits taxes, amounted to \$10,126,498.77 as compared with \$8,187,505.44, on a similar basis, in 1940.
- (2) It is not possible at this time to determine what the amount of income and excess profits taxes payable by Abitibi and its wholly-owned subsidiaries, in respect of their 1941 earnings, will be—this because their "Standard Profits" (as described in the Ninth Report of the undersigned) have not as yet been fixed by The Board of Referees appointed under The Excess Profits Tax Act. It is believed, however, that such taxes will not likely amount to less than \$750,000./\$1,000,000. Should they ultimately prove to be \$1,000,000., 1941 earnings which would remain available for payment to Bondholders (after charges of \$4,500,000. for depreciation) would be \$4,626,498.77. Interest for the year on Bondholders' claims—including interest on overdue interest—amounted to \$3,474,055.04, exclusive of the premium on United States funds therefor (as may be demanded) and \$3,856,201.09, including the present premium of 11% for purchase of such funds.
- (3) Included in income for the year were the following items :
 - (a) Recoveries from sales of newsprint, pulps and substitute products amounted to \$25,824,783.82, as compared with \$22,539,189.66 in 1940;
 - (b) Income from sales of power was \$1,213,456.56 as compared with \$960,040.47 in 1940;
 - (c) Premium received upon United States exchange was \$1,865,650.58, as compared with \$1,458,786.85 in 1940; and
 - (d) Interest and discount received and sundry minor operating profits secured, were \$146,897.94 in 1941 as compared with \$148,690.30 in 1940.
- (4) Included in operating expenses for the year were the following items :
 - (a) Expenditures for the maintenance and repair of the mills and properties of Abitibi and its wholly-owned subsidiaries amounted to \$1,721,451.91 in 1941, as compared with \$1,648,653.77 in 1940;
 - (b) Costs of providing special protection to mills and properties of Abitibi and its wholly-owned subsidiaries were \$114,054.43 in 1941, as compared with \$111,093.43 in 1940; and
 - (c) Costs of carrying the idle Espanola and Sturgeon Falls properties were \$127,508.25 in 1941, and \$147,618.60 in 1940.

As of date November 7th, 1941, P.C. 9298 (since amended by P.C. 1549, and more commonly known as The Wartime Salaries Order) became effective. Under such Order certain limitations are imposed with respect to the granting of increases in salaries to persons in Canada who are in receipt of salaries in excess of certain prescribed annual amounts.

As of date November 15th, 1941, P.C. 8253 (more commonly known as The Wartime Wages and Costs of Living Bonus Order) became effective in the Dominion of Canada. Under such Order certain limitations are imposed with respect to wages which may be paid to labor, and provision is made for the payment to labor of certain bonuses when, if and as costs of living increase beyond certain indices.

As of date November 17th, 1941, P.C. 8527 (more commonly known as The Wartime Prices and Trade Board Order) became effective in Canada. Under such Order certain limitations are imposed with respect to the prices at which commodities may be sold in Canada, for use in Canada.

COMMENTS WITH RESPECT TO BALANCE SHEET OF DECEMBER 31ST, 1941

Balance Sheet of Abitibi as of date December 31st, 1941—as audited by Messrs. Price, Waterhouse & Co.—is attached hereto as Exhibit 1. The following comments are made in respect of conditions reflected by it, and/or items contained in it :

IN RESPECT OF ASSETS

(1) RELATIVE TO RECEIVER'S NET CURRENT ASSETS

After payment on October 15th, 1941, of \$6,274,710. (Canadian funds) in reduction of the principal amount owing upon Abitibi bonds then outstanding,

BUT

prior to deduction of the principal amounts owing upon Abitibi bonds (which are due and payable), for interest thereon, for interest on overdue interest, and such income/excess profits taxes, if any, as shall be payable by Abitibi and its wholly-owned subsidiaries in respect of their 1940 earnings, and such income/excess profits taxes as shall be payable by such corporations in respect of their 1941 consolidated taxable income,

Receiver's net current assets on December 31st, 1941, as compared with those on December 31st, 1940, were as follows :

On December 31st, 1941.

Receiver's current assets.....	\$24,273,797.25	
Less: Receiver's current liabilities including Contingent Reserve of \$750,000.....	1,800,908.36	
Excess of current assets.....		\$22,472,888.89

On December 31st, 1940.

Receiver's current assets.....	\$20,425,160.98	
Less: Receiver's current liabilities including Contingent Reserve of \$750,000.....	1,596,788.67	
Excess of current assets.....		18,828,372.31
Increase in year.....		\$ 3,644,516.58

The above increase will be reduced by such income/excess profits taxes as shall require to be paid in respect of 1941 earnings.

(2) As of date December 31st, 1941, certain Hearst companies were indebted to Abitibi and its wholly-owned subsidiaries in the amount of \$1,609,111.87, as security for the payment of which, and the claims of certain other Creditors, certain securities stand lodged with a corporate Trustee. Such securities are of such character that no sound estimate of their realizable value can be made at this time. In 1938 a Contingent Reserve of \$750,000. (above mentioned and as shown under Receiver's Liabilities in Exhibit 1) was set up, with the approval of Court, as a provision against receivables owing to the Company and its wholly-owned subsidiaries, and in respect of unforeseen and other contingencies. Such reserve is believed to be adequate for such purposes. In addition to the above Contingent Reserve—and as mentioned in previous Reports—is a reserve of \$300,000., maintained in respect of the pulpwood inventories of Abitibi and its wholly-owned subsidiaries, which reserve is not believed to be required at the present time. Other specific reserves held, and not believed to be required for the purposes for which they were set up, were estimated to amount to about \$50,000. on December 31st, 1941. The amount of Receiver's current assets—as shown in Exhibit 1—is after deduction of such pulpwood and other specific reserves.

(3) Expenditures made and liabilities incurred in the year in connection with capital improvements and additions to mills and properties directly owned by Abitibi amounted to \$265,855.80.

(4) Expenditures made and liabilities incurred for similar purposes in connection with the mills and properties of wholly-owned subsidiaries of Abitibi amounted to \$74,434.42.

The expenditures mentioned in (3) and (4) above were approved by The Supreme Court of Ontario.

RELATIVE TO LIABILITIES AND RESERVES

- (5) First Mortgage 5% Bonds of Abitibi outstanding, and interest thereon, are included in the Balance Sheet attached (Exhibit 1) at the following amounts :

Principal amount of such bonds outstanding.....	\$41,992,290.00
Interest accrued on bonds to September 10th, 1932.....	1,877,050.00
Unpaid interest coupons due December 1st, 1931, and prior thereto.....	1,300.00
Reserve for tax rebates.....	17,636.41
or at a total of.....	<u>\$43,888,276.41</u>

As of date December 31st, 1941, the amount of such bonds with unpaid and accrued interest thereon (including interest on overdue and unpaid interest) was as follows :

Principal amount of bonds outstanding.....	\$41,992,290.00
Interest due and overdue to December 31st, 1941.....	24,270,550.94
Interest on interest overdue and unpaid.....	5,832,099.10
Reserve for tax rebates.....	17,636.41
total.....	<u>\$72,112,576.45</u>

Under the terms of the Mortgage securing the above bonds and interest, payment of the same may be required to be made in United States funds. Had payment been made in such funds on December 31st, 1941, a premium of 11% thereon would require to have been provided by Abitibi in order to secure the same. On such basis Canadian funds required to discharge the indebtedness of Abitibi to its Bondholders on December 31st, 1941, would have been approximately as follows :

(a) Amount of liability as above set out.....	\$72,112,576.45
(b) Premium of 11% for United States funds in respect of payment of \$6,274,710.00 made on October 15th, 1941.....	<u>\$ 690,218.10</u>
(c) Interest on above at 5% for period October 15th to December 31st, 1941.....	7,189.77
(d) Premium of 11% for United States funds to permit payment of	
1—(a) above.....	\$ 7,932,383.41
2—Premium upon payment of \$6,274,710.00 on October 15th, 1941.....	690,218.10
3—(c) above.....	<u>790.87</u>
	8,623,392.38
total.....	<u>\$80,743,158.60</u>

Note:

As of date April 15th, 1942, a payment of \$4,826,700.00—in Canadian funds—was made in reduction of the principal amount owing upon the above bonds.

- (6) Present abnormal conditions and consequent increased demands for the products of Abitibi and its wholly-owned subsidiaries have compelled them to acquire and carry substantially increased inventories of pulpwood and other supplies, while prices of the same have also increased. As a protection against such conditions and/or those which may require to be faced after the termination of War—or prior thereto—the sum of \$1,500,000. has—with the approval of Court—been transferred from “Balance of amount available towards depreciation and bond interest from operations during Receivership” to the credit of “Reserve against inventories and other contingencies”, as shown upon the Balance Sheet of December 31st, 1941.

- (7) As before mentioned income/excess profits taxes, if any, payable upon the 1940 consolidated earnings of Abitibi and its wholly-owned subsidiaries and income/excess profits taxes payable on the 1941 consolidated earnings of such corporations cannot be accurately computed until their Standard Profits have been determined. In these circumstances no specific reserve has been set up for the same, but the "Balance of amount available towards depreciation and bond interest from operations during Receivership" is shown in the Balance Sheet as subject thereto.

STEPS TAKEN SINCE ISSUE OF NINTH REPORT WITH RESPECT TO DISPOSITION OF THE AFFAIRS
OF ABITIBI POWER & PAPER COMPANY, LIMITED, IN RECEIVERSHIP

First :

Enclosed with the Ninth Report of the undersigned was a copy of "The Abitibi Power & Paper Company Limited Moratorium Act 1941" enacted by the Province of Ontario in April 1941. Such Act was to come into force on a day to be named by the Lieutenant-Governor in Council and remain in force until December 31st, 1942, unless its operation was terminated prior thereto by Order-in-Council. Under the Act it was provided that :

- (a) No further proceedings should be taken in respect of the sale of real or personal property of Abitibi, in Ontario, under the Order, of June 10th, 1940, of the Honourable Mr. Justice Middleton of the Supreme Court of Ontario;
- (b) No further steps should be taken or order made in the action now pending in the Supreme Court of Ontario under the Abitibi bond mortgage; and
- (c) No new action could be brought for the purpose of realizing upon the security, situate in the Province of Ontario, which was covered by the Abitibi bond mortgage,

without the consent in writing of the Attorney-General for the Province of Ontario.

Second :

On October 9th, 1941, Montreal Trust Company, as Trustee under the Abitibi bond mortgage, made application to the Supreme Court of Ontario for an Order for sale of the assets of Abitibi.

Third :

On October 9th, 1941, the Lieutenant-Governor in Council of Ontario proclaimed October 11th, 1941, as the day upon which "The Abitibi Power & Paper Company Limited Moratorium Act 1941" should come into force.

Fourth :

On December 4th, 1941, the Honourable Mr. Justice Middleton of the Supreme Court of Ontario gave judgment that "The Abitibi Power & Paper Company Limited Moratorium Act 1941" was ultra vires of the powers of the Province of Ontario, and made an Order for sale of the assets of Abitibi on February 18th, 1942, subject to a reserve bid.

Fifth :

Appeal from the above judgment and Order was taken by the Liquidator of Abitibi to the Court of Appeal for Ontario, and on March 21st, 1942, such Court of Appeal upheld the judgment of the Honourable Mr. Justice Middleton, as above mentioned.

Sixth :

In March, 1942,

- (a) "The Abitibi Power & Paper Company Limited Moratorium Act 1942"—to extend the operation of "The Abitibi Power & Paper Company Limited Moratorium Act 1941," until June 30th, 1943; and
- (b) "The Abitibi Moratorium Constitutional Question Act 1942"—to permit an appeal to be taken to the Privy Council from the judgments above mentioned,

were enacted by the Province of Ontario.

Seventh :

On March 31st, 1942, notice was given by the Liquidator of Abitibi of his intention to appeal from the judgments above mentioned.

Eighth :

On April 7th, 1942, the Liquidator of Abitibi made application before the Chief Justice of Ontario for an Order allowing and admitting an appeal to His Majesty in his Privy Council from the judgment of the Court of Appeal of March 21st, 1942, (hereinbefore referred to). The Chief Justice ordered that such application be heard by the Court of Appeal of Ontario and it was so heard by such Court at sittings thereof which terminated on April 17th, 1942, when judgment was reserved. To the date hereof judgment had not been rendered by such Court.

It is with profound regret that the undersigned records the deaths during the year of Mr. J. Strachan Johnston, K.C., Counsel for the Montreal Trust Company and for the undersigned as Receiver and Manager of Abitibi; and of Mr. Edward E. Reid, General Manager of The London Life Insurance Company who was a member—since its appointment—of the Abitibi Bondholders' Representative Committee. The wise counsels and extended business experiences of both of them were of great assistance and value at all times. Mr. Johnston's position as Counsel has since been assumed by his partner, and son, Mr. R. W. S. Johnston—that of Mr. Reid has been taken by his son Mr. Robert H. Reid, now General Manager of The London Life Insurance Company.

The undersigned again desires to express his appreciation of the assistance and continued service rendered by the Abitibi Bondholders' Representative Committee, and in particular by the Advisory Committee thereof composed of Mr. J. P. Ripley, Chairman of the Board of Harriman Ripley & Co., Incorporated, New York; Mr. W. H. Somerville, General Manager of The Mutual Life Assurance Company of Canada, Waterloo, Ontario; and Mr. Robert H. Reid, General Manager of The London Life Insurance Company, of London, Ontario, in connection with the many problems and matters required to be dealt with in the Receivership.

This Report is supplementary to the Reports of the undersigned Receiver and Manager issued under date of February 28th, 1933, April 30th, 1934, April 15th, 1935, May 12th, 1936, March 25th, 1937, May 6th, 1938, May 15th, 1939, April 15th, 1940, and May 5th, 1941, and in preparing it the Receiver has had in mind the desirability of providing information as certified by the Auditors' Reports relative to the results of operations for the period of Receivership between January 1st, 1941 and December 31st, 1941; also of giving in a general manner a broad view of matters with which he has been called upon to deal. It is not intended, however, that the Report should exhaustively enter into all the numerous questions which have arisen in connection with the affairs of Abitibi Power & Paper Company, Limited, or those of subsidiary corporations, or make any representations or convey the impression that all matters which have or may prove to have a bearing upon the affairs of the Companies are made mention of in the Report. Statements attached and figures mentioned in the Report are accurate so far as the undersigned has been able to ascertain but he does not represent or guarantee their correctness.

Toronto, April 27th, 1942.

G. T. CLARKSON,
Receiver and Manager.

IN THE MATTER OF

ABITIBI POWER & PAPER COMPANY, LIMITED

G. T. CLARKSON, RECEIVER AND MANAGER

AND

SUBSIDIARY COMPANIES

FINANCIAL STATEMENTS

DECEMBER 31, 1941

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In the Matter of

ABITIBI POWER & PAPER COMPANY, LIMITED,

G. T. CLARKSON, Receiver and Manager :

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AUDITORS' CERTIFICATE

PRICE, WATERHOUSE & CO.

ROYAL BANK BUILDING
TORONTO
April 8, 1942

G. T. CLARKSON, Esq., Receiver and Manager,
ABITIBI POWER & PAPER COMPANY, LIMITED,
TORONTO, ONTARIO.

Dear Sir :

We have made an examination of the books and accounts of Abitibi Power & Paper Company, Limited, G. T. Clarkson, Receiver and Manager, for the year ending December 31, 1941, and have been furnished with all the information and explanations which we have required.

The profits and losses of all subsidiary companies (except Provincial Paper, Limited) for the year ending December 31, 1941, as shown by the accounts of such companies, have been incorporated in the attached statement of results from the operations of the Receiver and Manager of Abitibi Power & Paper Company, Limited.

Provision has not been made in the accounts of the Receiver and Manager for interest accruing on the Five Per Cent. First Mortgage Gold Bonds since September 10, 1932 nor for exchange premium on United States funds in relation to Canadian funds with respect to amounts owing or paid on the bonds as stated in Note IV to the balance sheet. Provision has not been made for depreciation of buildings, equipment and properties in the accounts of the Receiver and Manager of Abitibi Power & Paper Company, Limited, nor in the accounts of the subsidiary companies (other than Provincial Paper, Limited and The G. H. Mead Company) for the period from September 10, 1932 to December 31, 1936; during the five years ending December 31, 1941, however, amounts aggregating \$15,005,000.00 were provided for depreciation in the accounts of the Receiver and Manager of Abitibi Power & Paper Company, Limited and in the accounts of the subsidiary companies (exclusive of the amounts provided by Provincial Paper, Limited and The G. H. Mead Company). No provision has been made since September 10, 1932, for the amortization of the book values of timber concessions in the accounts of the Receiver and Manager of Abitibi Power & Paper Company, Limited, nor in the accounts of the subsidiary companies other than Baie St. Paul Lumber Company, Limited. It is impracticable at this date to accurately determine the amount of the income and excess profits taxes, if any, which may be found to be payable in respect of the profits for 1940, and the amount of such taxes on the profits for the year ending December 31, 1941, and accordingly no provision therefor has been made in the accounts of the Receiver and Manager or the subsidiary companies (other than Provincial Paper, Limited).

The amount of \$750,000.00 shown as Contingent Reserve was transferred as of December 31, 1938 under authority of the Court from the accumulated amount available towards depreciation and bond interest from operations during the period of the Receivership to December 31, 1938. Such transfer was made in connection with a substantial account owing to The G. H. Mead Company by one of its largest customers for which, we are informed, certain security is held the value of which is impossible to determine at this time, and to provide for certain other contingencies. Under authority of the Court a further amount of \$1,500,000.00 was transferred as of December 31, 1941 as a reserve against inventories and other contingencies.

In the case of certain of the timber concessions and licenses the conditions required to be observed have not been fully complied with; what obligations, if any, the company may be under in this connection cannot be determined at the present time.

With the exceptions as noted above and as to the values at which the investments in certain subsidiary companies, and in buildings, equipment, properties and timber concessions are carried, we report that, in our opinion, the accompanying balance sheet with explanatory notes thereon shows the true financial position as at December 31, 1941 of Abitibi Power & Paper Company, Limited, G. T. Clarkson, Receiver and Manager, according to the best of our information and the explanations given to us and as shown by the books.

Yours very truly,

PRICE, WATERHOUSE & CO.

ABITIBI POWER & PAPER COMPANY, LIMITED

G. T. CLARKSON, RECEIVER AND MANAGER

BALANCE SHEET

DECEMBER 31, 1941

(showing also for comparative purposes the assets and liabilities at December 31, 1940, as shown by the statement thereof contained in the ninth report of the Receiver and Manager dated May 5, 1941).

	ASSETS	
	December 31, 1940	December 31, 1941
RECEIVER'S CURRENT ASSETS :		
Cash on hand and on deposit.....	\$ 6,490,712.98	\$ 8,156,150.02
Dominion of Canada Bonds at cost and market value.....	1,492,500.00	1,981,666.66
Investments in sundry bonds.....	127,503.00	239,553.00
Accounts receivable, customers', less reserves.....	976,664.20	1,362,309.33
Receivable from The G. H. Mead Company for newsprint shipments, less reserves.....	1,710,868.39	1,479,860.18
Net current assets of other subsidiaries....	3,485,833.21	4,103,688.32
Inventories of paper, pulp, wood and supplies on the basis of cost less reserves, as determined and certified to by responsible representatives of the Receiver and Manager, and expenditures on logging operations.....	6,141,079.20	6,950,569.74
	\$20,425,160.98	\$24,273,797.25
DEPOSITS WITH TRUSTEE FOR BOND-HOLDERS.....	62,282.73	64,241.85
INVESTMENTS IN THE SECURITIES OF AND ADVANCES TO WHOLLY OWNED SUBSIDIARIES (See Note II) :		
Investments in and advances to wholly owned subsidiaries (exclusive of The G. H. Mead Company).....	\$43,260,409.34	\$41,830,976.30
<i>Less</i> —Amount included with Receiver's Current Assets above, represented by net current assets (including those created from Receiver's advances) as shown by books of subsidiary companies	3,485,833.21	4,103,688.32
	\$39,774,576.13	\$37,727,287.98
Investment by Receiver in purchase of shares of The G. H. Mead Company....	600,000.00	600,000.00
	40,374,576.13	38,327,287.98
INVESTMENTS IN SHARES OF CORPORATIONS OTHER THAN WHOLLY OWNED SUBSIDIARIES :		
Shares of Provincial Paper, Limited at arbitrary value of.....	\$ 1,500,000.00	\$ 1,500,000.00
Miscellaneous, less reserves	635.00	635.00
	1,500,635.00	1,500,635.00
Forward.....	\$62,362,654.84	\$64,165,962.08

IN THE MATTER OF

ABITIBI POWER & PAPER COMPANY, LIMITED

G. T. CLARKSON, RECEIVER AND MANAGER

BALANCE SHEET

DECEMBER 31, 1941

(showing also for comparative purposes the assets and liabilities at December 31, 1940, as shown by the statement thereof contained in the ninth report of the Receiver and Manager dated May 5, 1941).

LIABILITIES

	December 31, 1940	December 31, 1941
SUNDRY LIABILITIES OF RECEIVER :		
Wages accrued and payable.....	\$ 122,181.69	\$ 153,880.81
Sundry accounts payable.....	724,606.98	897,027.55
Contingent reserve.....	\$ 846,788.67	\$ 1,050,908.36
	750,000.00	750,000.00
	\$ 1,596,788.67	\$ 1,800,908.36
GENERAL CREDITORS' CLAIMS INCURRED PRIOR TO RECEIVERSHIP.....	749,986.99	749,986.99
RESERVE AGAINST INVENTORIES AND OTHER CONTINGENCIES.....	—	1,500,000.00
FIVE PER CENT. FIRST MORTGAGE GOLD BONDS :		
Outstanding (see Note IV).....	\$48,267,000.00	\$41,992,290.00
Unpaid interest coupons due December 1, 1931 and prior.....	1,300.00	1,300.00
Interest accrued to September 10, 1932....	1,877,050.00	1,877,050.00
Reserve for tax rebates.....	17,636.41	17,636.41
	50,162,986.41	43,888,276.41
CAPITAL STOCK :		
10,000 shares 7% Cumulative Preferred Stock of \$100.00 each.....	\$ 1,000,000.00	\$ 1,000,000.00
348,818 shares 6% Cumulative Preferred Stock of \$100.00 each (including 96 shares deposited for exchange of shares of The Spanish River Pulp and Paper Mills Limited) ..	34,881,800.00	34,881,800.00
1,088,117 shares Common Stock without nominal or par value (including 67 shares deposited for exchange of shares of subsidiary companies)	18,964,935.43	18,964,935.43
	54,846,735.43	54,846,735.43
Forward.....	\$107,356,497.50	\$102,785,907.19

ABITIBI POWER & PAPER COMPANY, LIMITED

G. T. CLARKSON, RECEIVER AND MANAGER

BALANCE SHEET

DECEMBER 31, 1941

ASSETS

	December 31, 1940	December 31, 1941
Forward.....	\$ 62,362,654.84	\$ 64,165,962.08
INVESTMENTS IN MILLS AND EQUIPMENT, RAILWAYS, WATER- POWERS, TOWNSITES AND BUILDINGS : (after deducting reserves for depreciation).....	42,617,540.97	40,366,560.22
TIMBER CONCESSIONS AND FREEHOLD TIMBER OWNED : (after deducting depletion and other reserves).....	19,877,091.98	19,865,121.71
REAL ESTATE AND OFFICE BUILDINGS	327,397.46	327,883.96
CHATELS AND EQUIPMENT.....	23,089.59	22,448.84
PREPAID EXPENSES.....	252,119.78	243,904.77
	<u>\$125,459,894.62</u>	<u>\$124,991,881.58</u>

NOTES :

- I. -The Receiver's Current Assets, as above, include \$3,781,750.52, chiefly accounts receivable, which, although receivable in United States funds, are expressed in Canadian dollars at par, and similarly there are sundry liabilities amounting to \$29,601.02 included in Canadian dollars at par which are payable in United States funds. No exchange premium has been taken up in the accounts of the Receiver and Manager as at December 31, 1941 in respect of these assets or liabilities which include a substantial amount owing by one of the largest customers of The G. H. Mead Company, partly in respect of which a contingent reserve is included with the liabilities of the Receiver.
Under the terms of the Indenture and Mortgage dated June 1, 1928 the 5% First Mortgage Gold Bonds and the interest thereon are payable in Canadian gold coin of the standard of weight and fineness existing June 1, 1928, or at the holder's option in gold coin of the United States of America of the standard of weight and fineness existing June 1, 1928, or in English sterling at the fixed rate of exchange of \$4.86 $\frac{2}{3}$ to the pound (£) sterling.
- II. With the object of showing the net amount of the Investments in and Advances to wholly owned Subsidiary Companies, the advances and charges by the Abitibi Company and by the Receiver and Manager of the Abitibi Company to such subsidiaries are added to and grouped with the investments in the subsidiaries; similarly the accounts payable to the subsidiaries are deducted from the investments in the securities thereof. The advances made by the Receiver and Manager to subsidiaries to cover losses in operations and/or costs of carrying shut-down mills—also to permit such companies to liquidate liabilities and to purchase pulpwood—have, at December 31, 1941, been reduced to \$777,673.79.
- III. -Dividends on 7% Cumulative Preferred Stock are paid to September 30, 1931. Dividends on 6% Cumulative Preferred Stock are paid to March 31, 1931.
- IV. The balance of \$41,992,290.00 shown for 5% First Mortgage Gold Bonds outstanding at December 31, 1941 is after deducting payment made by Order of the Court of \$6,274,710.00, Canadian funds, on September 10, 1941 to Montreal Trust Company, as Trustee for the Bondholders, such amount to be credited on October 15, 1941 on account of the principal monies due on the bonds.

IN THE MATTER OF

ABITIBI POWER & PAPER COMPANY, LIMITED

G. T. CLARKSON, RECEIVER AND MANAGER

BALANCE SHEET

DECEMBER 31, 1941

LIABILITIES

	December 31, 1940	December 31, 1941
Forward.....	\$107,356,497.50	\$102,785,907.19
NOMINAL SURPLUS OF PERIOD PRIOR TO RECEIVERSHIP: (no change during year).....	4,488,090.60	4,488,090.60
BALANCE OF AMOUNT AVAILABLE TOWARDS DEPRECIATION AND BOND INTEREST FROM OPERATIONS DURING RECEIVER- SHIP, Exhibit I-A : (after deducting provisions of \$17,255,000.00 but before providing for income and excess profits taxes, as per Note V).....	13,615,306.52	17,717,883.79
	<u>\$125,459,894.62</u>	<u>\$124,991,881.58</u>

As stated in Note I to this balance sheet, under the terms of the Indenture and Mortgage dated June 1, 1928 the bonds and the interest thereon are payable at the holder's option in United States funds; no provision has been made in the above accounts for premium and accrued interest thereon, on United States funds in relation to Canadian funds in respect of the principal amount of the bonds (including the payment credited on October 15, 1941) and interest thereon. On March 12, 1942 the Receiver and Manager, by Order of the Court, paid to Montreal Trust Company a further sum of \$4,826,700.00, Canadian funds, to be credited on April 15, 1942 on account of the principal monies due on the bonds; this payment is not reflected in the above accounts as at December 31, 1941.

V.—The amount of \$17,717,883.79 shown as balance of amount available towards depreciation and bond interest from operations during receivership is after the undernoted provisions :

Depreciation in respect of the five years ending December 31, 1941, including provisions shown on books of subsidiary companies	\$15,005,000.00
Amount set aside as at December 31, 1938, under authority of the Court, as a Contingent Reserve.....	750,000.00
Amount set aside as at December 31, 1941, under authority of the Court, as a Reserve against Inventories and other Contingencies.....	1,500,000.00
	<u>\$17,255,000.00</u>

but is before providing for income and excess profits taxes, if any, in respect of the year ending December 31, 1940, and in respect of the year ending December 31, 1941.

This balance sheet is issued subject to the important questions as to values of certain of the assets and to other matters as referred to in our report dated April 8, 1942.

PRICE, WATERHOUSE & CO.,
Auditors.

IN THE MATTER OF

ABITIBI POWER & PAPER COMPANY, LIMITED

G. T. CLARKSON, RECEIVER AND MANAGER

STATEMENT OF AMOUNT AVAILABLE AS AT DECEMBER 31, 1941, TOWARDS DEPRECIATION AND BOND INTEREST, FROM OPERATIONS DURING RECEIVERSHIP PERIOD

(Including also the results of wholly owned subsidiaries, exclusive of Provincial Paper, Limited, but before providing for income and excess profits taxes, if any, payable in respect of the year ending December 31, 1940 and for such taxes in respect of the year ending December 31, 1941)

PARTICULARS	AMOUNT
Balance as at December 31, 1940 after deducting provisions for depreciation in respect of the four years ending December 31, 1940, aggregating \$10,505,000.00 (including provisions shown on books of subsidiary companies) and amount of \$750,000.00 set aside as a Contingent Reserve under authority of the Court, but before providing for income and excess profits taxes, if any, in respect of the year ending December 31, 1940.....	\$13,615,306.52
DEDUCT :	
Adjustment applicable to prior years.....	23,921.50
	\$13,591,385.02
ADD :	
Amount available for depreciation of mills and properties and towards bond interest from operations for the year ending December 31, 1941, before providing for income and excess profits taxes, as per statement on Exhibit 1-B attached.....	\$10,126,498.77
Less—Amount provided for depreciation for the year ending December 31, 1941 (including provisions shown on books of subsidiary companies)	4,500,000.00
	5,626,498.77
	\$19,217,883.79
DEDUCT :	
Amount set aside as a Reserve against Inventories and Other Contingencies as per order of Court.....	1,500,000.00
BALANCE AS AT DECEMBER 31, 1941, CARRIED TO BALANCE SHEET.	\$17,717,883.79

IN THE MATTER OF

ABITIBI POWER & PAPER COMPANY, LIMITED

G. T. CLARKSON, RECEIVER AND MANAGER

STATEMENT SHOWING THE RESULT FROM OPERATIONS FOR THE YEAR ENDING
DECEMBER 31, 1941

(Including also the results of wholly owned subsidiaries, exclusive of Provincial Paper, Limited)

PARTICULARS	AMOUNT	
INCOME :		
Sales of newsprint and other pulpwood products	\$25,824,783.82	
Sales of power.. . . .	1,213,456.56	
	\$27,038,240.38	
<i>Less</i> —Operating costs, including administration, superintendence, selling and general expenses, but before providing for depreciation.....	18,523,349.32	
	\$ 8,514,891.06	
<i>Add</i> —Premium on U.S. funds (net).....	1,865,650.58	
		\$10,380,541.64
ADD :		
Interest and discount earned (net).....	\$ 137,418.87	
Sundry minor operating profits	9,479.07	
		146,897.94
		\$10,527,439.58
DEDUCT :		
Cost of carrying idle mills and timber concessions tributary thereto:		
Mill idle costs including caretaking and insurance.....	\$35,787.84	
Taxes on mills and townsites.....	33,427.24	
Timber concessions—taxes, licenses and fees.....	58,293.17	
		\$ 127,508.25
Cost of issue of Receiver's ninth report.....	4,486.52	
Cost of protection of properties against sabotage.....	114,054.43	
Provision for legal and audit expenses.....	48,000.00	
Paid to Receiver in respect of remuneration.....	48,000.00	
Provision for U.S. Federal taxes on interest and dividends received, etc.....	39,207.35	
		381,256.55
		\$10,146,183.03
DEDUCT :		
Expenses of Liquidator.....	\$ 2,251.20	
Expenses of Bondholders' Representative Committee.....	2,251.00	
Advertising expenses in connection with Judicial Sale of October 16, 1940.....	10,182.06	
Paid to Trustee in connection with first distribution to Bondholders	5,000.00	
		19,684.26
BALANCE AVAILABLE FOR DEPRECIATION OF MILLS AND PROPERTIES AND TOWARDS BOND INTEREST, BEFORE PROVIDING FOR INCOME AND EXCESS PROFITS TAXES.....		\$10,126,498.77
DEDUCT :		
Amount provided for depreciation for the year ending December 31, 1941 (including provisions shown on books of subsidiary companies).....		4,500,000.00
BALANCE AVAILABLE TOWARDS THE PAYMENT OF BOND INTEREST AND INCOME AND EXCESS PROFITS TAXES, CARRIED TO EXHIBIT 1-A.....		\$ 5,626,498.77

MANITOBA PAPER COMPANY, LIMITED
and its Subsidiaries

Balance Sheet and
Profit and Loss Account

MANITOBA PAPER COMPANY, LIMITED

AND ITS SUBSIDIARIES
PINE FALLS HOTEL COMPANY LIMITED
PINE FALLS HOSPITAL LIMITED

CONSOLIDATED BALANCE SHEET

DECEMBER 31, 1941

ASSETS

CURRENT ASSETS :

Cash on hand and on deposit	\$ 6,101.19	
Sundry accounts receivable, less reserves.....	157,799.85	
Receivable from The G. H. Mead Company for newsprint shipments	307,355.66	
Inventories of paper, pulpwood, materials and supplies, valued on the basis of cost less reserves, as certified to by responsible officials of the company, and expenditures on logging operations	680,620.33	
		\$ 1,151,877.03

NOTE—The net current assets include \$383,707.57 of United States funds which are expressed in Canadian dollars at par, the exchange premium of \$38,371.00 not being taken up in the accounts as at December 31, 1941.

OTHER ASSETS AND DEFERRED CHARGES :

Deposits with Trustee for Bondholders.....	\$ 6,180.80	
Unexpired insurance, etc.....	12,943.58	
		19,124.38

FIXED ASSETS :

Plant, machinery and equipment, at cost, including therein expenditures on preliminary development of project, premiums paid on acquisition of stock of predecessor company, etc.....	\$10,023,656.62	
Lands, timber limits, undeveloped water power, etc., at valuation placed thereon by the management at inception of company plus cost of surveys.....	6,101,637.09	
		16,125,293.71

\$17,296,295.12

NOTE -Investments in Manitoba Paper Company, Limited and subsidiary companies are carried on the books of Abitibi Power & Paper Company, Limited and on the books of the Receiver and Manager thereof, as follows :

	As at December 31, 1941
Investment—	
5% First Mortgage Bonds with interest due and accrued thereon.....	\$ 8,660,651.76
Capital Stock (35,000 shares).....	1,500,000.00
Balance in Earned Surplus Account.....	1,245,976.25
	<u>\$11,406,628.01</u>

MANITOBA PAPER COMPANY, LIMITED

AND ITS SUBSIDIARIES
PINE FALLS HOTEL COMPANY LIMITED
PINE FALLS HOSPITAL LIMITED

CONSOLIDATED BALANCE SHEET

DECEMBER 31, 1941

LIABILITIES

SUNDRY ACCOUNTS PAYABLE.....	\$ 192,052.20	
TAXES DUE AND ACCRUED.....	8,884.00	
		\$ 200,936.20
FUNDED DEBT :		
5% First Mortgage Gold Bonds :		
Due June 1, 1968.....	\$ 6,500,000.00	
Due June 1, 1971.....	425,000.00	
	\$ 6,925,000.00	
Interest due and accrued thereon.....	1,735,651.76	
		8,660,651.76
NOTE—Under the terms of the Indenture and Mortgage dated as of June 1, 1928 the company may be in default. These bonds are owned by Abitibi Power & Paper Company, Limited and are held as security by the Trustee under the Indenture and Mortgage dated June 1, 1928 securing the issue of First Mortgage Gold Bonds of that company.		
RESERVES :		
Depreciation.....	\$ 2,625,862.20	
Depletion.....	7,390.46	
		2,633,252.66
CAPITAL STOCK AND SURPLUS :		
Common Shares—		
Represented by shares without nominal or par value		
Authorized and issued—35,000 shares.....	\$ 1,500,000.00	
Capital Surplus (no change during year).....	3,055,478.25	
Earned Surplus, as per statement attached.....	1,245,976.25	
		5,801,454.50
APPROVED ON BEHALF OF THE BOARD :		
L. R. WILSON, Director		
W. H. SMITH, Director		
		<u>\$17,296,295.12</u>

G. T. CLARKSON, Receiver and Manager,

ABITIBI POWER & PAPER COMPANY, LIMITED :

We have examined the books and accounts of Manitoba Paper Company, Limited and its subsidiary companies for the year ending December 31, 1941 and have obtained all the information and explanations which we have required. No provision has been made during the period from September 1, 1932 to December 31, 1941 for amortization of the book values of timber limits nor has any reserve been provided for depreciation of plant, machinery and equipment from February, 1932 up to December 31, 1936; amounts aggregating \$1,850,000.00 have, however, been provided for depreciation for the five years ending December 31, 1941. Provision has not been made for income and excess profits taxes, if any, in respect of the profits for the year ending December 31, 1940, and in respect of the year ending December 31, 1941. There is a question as to whether the conditions required to be observed by the company under its timber concession and power rights have been complied with. Except as to the foregoing and as to the values at which plant, properties and timber limits are carried, we report that, in our opinion, the above consolidated balance sheet as at December 31, 1941 is properly drawn up so as to exhibit a true and correct view of the state of the companies' affairs according to the best of our information and the explanations given to us and as shown by the books of the companies.

PRICE, WATERHOUSE & CO.,
Auditors.

TORONTO, April 8, 1942.

MANITOBA PAPER COMPANY, LIMITED

AND ITS SUBSIDIARIES
PINE FALLS HOTEL COMPANY LIMITED
PINE FALLS HOSPITAL LIMITED

CONSOLIDATED STATEMENT OF SURPLUS AND PROFIT AND LOSS FOR THE YEAR ENDING DECEMBER 31, 1941

PARTICULARS	AMOUNT
Surplus at December 31, 1940.....	\$ 938,895.68
ADD :	
Profit from operations for the year ending December 31, 1941, before providing for depreciation (after charging executive salaries as represented by amounts paid to officers \$12,911.40).....	\$1,148,330.57
Less—Provision for depreciation.....	\$495,000.00
Interest on 5% First Mortgage Gold Bonds.....	346,250.00
	<u>841,250.00</u>
Profit for the year, before providing for income and excess profits taxes	307,080.57
BALANCE AT DECEMBER 31, 1941.....	<u><u>\$1,245,976.25</u></u>

STE. ANNE PAPER COMPANY, LIMITED
and its Subsidiaries

Balance Sheet and
Profit and Loss Account

STE. ANNE PAPER COMPANY, LIMITED

AND ITS SUBSIDIARIES

ST. ANNE POWER COMPANY AND BAIE ST. PAUL LUMBER COMPANY, LIMITED

CONSOLIDATED BALANCE SHEET

DECEMBER 31, 1941

ASSETS

CURRENT ASSETS :

Cash on hand and on deposit.....	\$	32,522.27	
Sundry accounts receivable, less reserves.....		450,734.30	
Receivable from The G. H. Mead Company for newsprint shipments		253,746.98	
Inventories of paper, pulpwood, materials and supplies, valued on the basis of cost less reserves, as certified to by responsible officials of the company, and expenditures on logging operations		1,311,500.36	
			\$ 2,048,503.91

NOTE—The net current assets include \$252,836.09 of United States funds which are expressed in Canadian dollars at par, the exchange premium of \$25,284.00 not being taken up in the accounts as at December 31, 1941.

OTHER ASSETS AND DEFERRED CHARGES :

Deposits with Trustee for Bondholders	\$	39,771.08	
Unexpired insurance, prepaid taxes, etc.		29,027.47	
			68,798.55

FIXED ASSETS :

Plant, machinery and equipment.....	\$	9,784,534.13	
Lands, timber limits, and cutting rights.....		3,557,470.40	
			13,342,004.53

TOTAL ASSETS..... \$15,459,306.99

DEFICIT, as per statement attached..... 5,279,689.84

\$20,738,996.83

NOTE—Investments in and advances to Ste. Anne Paper Company, Limited and its subsidiary companies are carried on the books of Abitibi Power & Paper Company, Limited and on the books of the Receiver and Manager thereof, as follows :

	As at December 31, 1941
Investment—	
5% First Mortgage Bonds with interest due and accrued thereon.....	\$11,678,020.83
Capital Stock (100,000 shares)	500,000.00
	\$12,178,020.83
Less—Balance in Deficit Account.....	5,279,689.84
	\$ 6,898,330.99
Add—Balances owing by Ste. Anne Paper Company, Limited to—	
Abitibi Power & Paper Company, Limited.....	5,121,605.27
Receiver and Manager of Abitibi Power & Paper Company, Limited.....	777,673.79
	\$12,797,610.05

STE. ANNE PAPER COMPANY, LIMITED

AND ITS SUBSIDIARIES

ST. ANNE POWER COMPANY AND BAIE ST. PAUL LUMBER COMPANY, LIMITED

CONSOLIDATED BALANCE SHEET

DECEMBER 31, 1941

LIABILITIES

SUNDRY ACCOUNTS PAYABLE.....		\$ 143,376.64
OWING TO AFFILIATED COMPANY :		
Abitibi Power & Paper Company, Limited.....	\$ 5,121,605.27	
G. T. Clarkson, Receiver and Manager of Abitibi Power & Paper Company, Limited	777,673.79	
		5,899,279.06
FUNDED DEBT :		
5% First Mortgage Gold Bonds :		
Due June 1, 1968.....	\$ 7,500,000.00	
Due June 1, 1971.....	395,000.00	
	\$ 7,895,000.00	
Interest due and accrued thereon.....	3,783,020.83	
		11,678,020.83
NOTE—Under the terms of the Indenture and Mortgage dated as of June 1, 1928 the company may be in default. These bonds are owned by Abitibi Power & Paper Company, Limited and are held as security by the Trustee under the Indenture and Mortgage dated June 1, 1928 securing the issue of First Mortgage Gold Bonds of that company.		
RESERVES :		
Depreciation.....	\$ 2,151,628.20	
Depletion.....	366,692.10	
		2,518,320.30
CAPITAL STOCK :		
Common Shares—		
Represented by shares without nominal or par value		
Authorized and issued—100,000 shares.....		500,000.00
		<u>\$20,738,996.83</u>

G. T. CLARKSON, Receiver and Manager,

ABITIBI POWER & PAPER COMPANY, LIMITED :

We have examined the books and accounts of Ste. Anne Paper Company, Limited and its subsidiary companies, St. Anne Power Company and Baie St. Paul Lumber Company, Limited for the year ending December 31, 1941 and have obtained all the information and explanations which we have required. No provision has been made during the period from September 1, 1932 to December 31, 1941 for amortization of the book values of timber limits as recorded on the books of St. Anne Power Company nor has any reserve been provided for depreciation of plant, machinery and equipment from June, 1931 up to December 31, 1936; amounts aggregating \$1,500,000.00 have, however, been provided for depreciation for the five years ending December 31, 1941. Provision has not been made for income and excess profits taxes in respect of the profits for the year ending December 31, 1941. Except as to the foregoing and as to the values at which plant, properties and timber limits are carried, we report that, in our opinion, the above consolidated balance sheet as at December 31, 1941 is properly drawn up so as to exhibit a true and correct view of the state of the companies' affairs according to the best of our information and the explanations given to us and as shown by the books of the companies.

TORONTO, April 8, 1942.

PRICE, WATERHOUSE & CO.,
Auditors.

STE. ANNE PAPER COMPANY, LIMITED

AND ITS SUBSIDIARIES
ST. ANNE POWER COMPANY
BAIE ST. PAUL LUMBER COMPANY, LIMITED

CONSOLIDATED DEFICIT ACCOUNT FOR THE YEAR ENDING DECEMBER 31, 1941

PARTICULARS	AMOUNT
Deficit at December 31, 1940	\$5,352,267.84
DEDUCT :	
Profit from operations for the year ending December 31, 1941, before providing for depreciation	\$942,328.00
Less—Provision for depreciation.....	\$475,000.00
Interest on 5% First Mortgage Gold Bonds.....	394,750.00
	<u>869,750.00</u>
Profit for the year, before providing for income and excess profits taxes	72,578.00
DEFICIT AT DECEMBER 31, 1941	<u><u>\$5,279,689.84</u></u>

THUNDER BAY PAPER CO., LIMITED

Balance Sheet and Profit and Loss Account

THUNDER BAY PAPER CO., LIMITED

BALANCE SHEET

DECEMBER 31, 1941

ASSETS

CURRENT ASSETS :

Cash on hand and on deposit.....	\$ 1,456.11
Sundry accounts receivable, less reserve.....	206,099.53
Receivable from The G. H. Mead Company for newsprint shipments ...	458,847.96
Inventories of paper, pulpwood, materials and supplies, valued on the basis of cost less reserve, as certified to by responsible officials of the company.....	632,394.01

\$1,298,797.61

NOTE—The net current assets include \$475,293.52 United States funds which are expressed in Canadian dollars at par, the exchange premium of \$47,529.00 not being taken up in the accounts as at December 31, 1941.

OWING BY AFFILIATED COMPANY :

G. T. Clarkson, Receiver and Manager of Abitibi Power & Paper Company, Limited.....	730,480.99	<u>\$2,029,278.60</u>
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DEFERRED CHARGES :

Prepaid expenses	13,569.03
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FIXED ASSETS, at cost :

Cash deposit on timber limit.....	\$ 50,000.00
Real estate.....	44,812.98
Plant, machinery and equipment.....	5,990,493.40
Other fixtures.....	3,479.53
	<u>6,088,785.91</u>
	<u><u>\$8,131,633.54</u></u>

NOTE —The investment in Thunder Bay Paper Co., Limited is carried on the books of Abitibi Power & Paper Company, Limited and on the books of the Receiver and Manager thereof, as follows :

	As at December 31, 1941
Investment in shares	<u>\$8,728,107.14</u>
<i>Deduct:</i>	
Amounts written off for period prior to Receivership	\$2,087,208.44
Less—Profit during period of Receivership.....	952,938.49
	<u>1,134,269.95</u>
	<u>\$7,593,837.19</u>
<i>Deduct:</i>	
Balance owing to Thunder Bay Paper Co., Limited by Receiver and Manager of Abitibi Power & Paper Company, Limited.....	730,480.99
	<u><u>\$6,863,356.20</u></u>

THUNDER BAY PAPER CO., LIMITED

BALANCE SHEET

DECEMBER 31, 1941

LIABILITIES

SUNDRY ACCOUNTS PAYABLE..... \$ 116,609.76

RESERVE FOR DEPRECIATION..... 2,445,491.91

CAPITAL STOCK AND SURPLUS :

Common Shares :

Authorized and issued—

20,000 shares of \$100.00 each..... \$2,000,000.00

Capital Surplus (no change during year)..... 3,253,438.15

Earned Surplus, as per statement attached..... 316,093.72
5,569,531.87

CONTINGENT AND CONTRACTUAL LIABILITY :

Obligation to Dominion Government in connection with the completion
of dock construction at the Bare Point Mill, Port Arthur.

\$8,131,633.54

G. T. CLARKSON, Receiver and Manager,

ABITIBI POWER & PAPER COMPANY, LIMITED :

We have examined the books and accounts of Thunder Bay Paper Co., Limited for the year ending December 31, 1941 and have obtained all the information and explanations which we have required. An amount of \$515,000.00 has been provided from the profits for the year for depreciation of fixed assets but we are unable to state whether or not the accumulated reserve to this date is adequate. The conditions required to be observed by the company under its timber concession have not been fully complied with; what obligation, if any, the company may be under in this connection cannot be determined at the present time. Subject to the foregoing and except that no provision has been made for income and excess profits taxes, if any, in respect of the year ending December 31, 1940, and in respect of the year ending December 31, 1941, we report that, in our opinion, the above balance sheet is drawn up so as to exhibit a true and correct view of the state of the company's affairs as at December 31, 1941 according to the best of our information and the explanations given to us and as shown by the books of the company. All our requirements as auditors have been complied with.

TORONTO, April 8, 1942.

PRICE, WATERHOUSE & CO.,
Auditors.

THUNDER BAY PAPER CO., LIMITED

SURPLUS AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDING DECEMBER 31, 1941

PARTICULARS	AMOUNT
Profit from operations for the year ending December 31, 1941, before providing for depreciation.....	\$1,227,129.72
<i>Less</i> —Provision for depreciation.....	515,000.00
Profit for the year ending December 31, 1941, before providing for income and excess profits taxes.....	\$ 712,129.72
DEDUCT :	
Deficit at December 31, 1940.....	\$ 372,209.69
Income tax paid in respect of prior period.....	23,826.31
	396,036.00
SURPLUS AT DECEMBER 31, 1941.....	<u>\$ 316,093.72</u>

ABITIBI ELECTRIC DEVELOPMENT
COMPANY, LIMITED

Balance Sheet and
Profit and Loss Account

ABITIBI ELECTRIC DEVELOPMENT COMPANY, LIMITED

BALANCE SHEET

DECEMBER 31, 1941

ASSETS

CASH ON HAND AND ON DEPOSIT.....	\$	1,250.00
SUNDRY ACCOUNTS RECEIVABLE.....		2,910.95
INVENTORIES OF EQUIPMENT AND SUPPLIES (less reserve)		25,019.16
RECEIVABLE FROM AFFILIATED COMPANY :		
G. T. Clarkson, Receiver and Manager of Abitibi Power & Paper Company, Limited		59,776.72
DEFERRED CHARGES :		
Unexpired insurance, etc.....		1,542.25
FIXED ASSETS, at cost :		
Power plant, transmission line, etc.	\$7,835,491.44	
Speeders, camp buildings and equipment.....	65,114.52	
Horses, vehicles and livestock.....	1,062.36	
		<u>7,901,668.32</u>
		<u>\$7,992,167.40</u>

NOTE—Investment in Abitibi Electric Development Company, Limited is carried on the books of Abitibi Power & Paper Company, Limited and on the books of the Receiver and Manager thereof, as follows :

	As at December 31, 1941
Investment—	
5% First Mortgage Bonds with interest due and accrued thereon.....	\$5,176,479.17
Capital Stock (20,005 shares).....	100,005.00
Balance in Earned Surplus Account.....	1,482,932.09
	<u>\$6,759,416.26</u>
Less—Balance owing to Abitibi Electric Development Company, Limited by Receiver and Manager of Abitibi Power & Paper Company, Limited.....	59,776.72
	<u>\$6,699,639.54</u>

ABITIBI ELECTRIC DEVELOPMENT COMPANY, LIMITED

BALANCE SHEET

DECEMBER 31, 1941

LIABILITIES

SUNDRY ACCOUNTS PAYABLE		\$ 12,751.14
FUNDED DEBT :		
5% First Mortgage Gold Bonds :		
Due June 1, 1968..	\$5,000,000.00	
Due June 1, 1971.....	155,000.00	
	\$5,155,000.00	
Interest accrued thereon.....	21,479.17	
		5,176,479.17
NOTE—Under the terms of the Indenture and Mortgage dated as of June 1, 1928 the company may be in default. These bonds are owned by Abitibi Power & Paper Company, Limited and are held as security by the Trustee under the Indenture and Mortgage dated June 1, 1928 securing the issue of First Mortgage Gold Bonds of that company.		
RESERVE FOR DEPRECIATION.....		1,220,000.00
CAPITAL STOCK AND SURPLUS :		
Common Shares—		
Represented by shares without nominal or par value		
Authorized—50,000 shares		
Issued— 20,005 shares.....	\$ 100,005.00	
Earned Surplus—		
As per statement attached.....	1,482,932.09	
		1,582,937.09
		<u>\$7,992,167.40</u>

G. T. CLARKSON, Receiver and Manager,
ABITIBI POWER & PAPER COMPANY, LIMITED :

We have examined the books and accounts of Abitibi Electric Development Company, Limited for the year ending December 31, 1941 and have obtained all the information and explanations which we have required. No provision has been made for depreciation of plant and equipment up to December 31, 1936 (amounts aggregating \$1,220,000.00 have been provided for the five years ending December 31, 1941) nor has provision been made for income and excess profits taxes in respect of the year ending December 31, 1941; except as to the foregoing we report that, in our opinion, the above balance sheet is properly drawn up so as to exhibit a true and correct view of the state of the company's affairs according to the best of our information and the explanations given to us and as shown by the books of the company. All our requirements as auditors have been complied with.

TORONTO, April 8, 1942.

PRICE, WATERHOUSE & CO.,
Auditors.

ABITIBI ELECTRIC DEVELOPMENT COMPANY, LIMITED

SURPLUS AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDING DECEMBER 31, 1941

PARTICULARS	AMOUNT
Deficit at December 31, 1940	\$ 599,570.67
Interest on the company's 5% First Mortgage Gold Bonds for period from January 1, 1932 to December 31, 1939, waived by Abitibi Power & Paper Company, Limited, G. T. Clarkson, Receiver and Manager, under authority of the Court in consideration for the cancellation as of January 1, 1932 of a 25-year agreement, dated August 1, 1925 for supplying power to the Abitibi Power & Paper Company, Limited	2,062,000.00
Surplus after above interest adjustment	\$1,462,429.33
Profit from operations for the year ending December 31, 1941 before providing for depreciation	\$668,252.76
Less—Provision for depreciation	\$390,000.00
Interest on 5% First Mortgage Gold Bonds	257,750.00
	<u>647,750.00</u>
Profit for the year, before providing for income and excess profits taxes	20,502.76
BALANCE AT DECEMBER 31, 1941	<u>\$1,482,932.09</u>

KAMINISTIKUIA POWER CO., LIMITED

Balance Sheet and Profit and Loss Account

KAMINISTIQUEIA POWER CO., LIMITED

BALANCE SHEET

DECEMBER 31, 1941

ASSETS

CURRENT ASSETS :

Cash on hand and on deposit.....	\$ 1,000.00	
Sundry customers' accounts, less reserve.....	10,868.19	
Inventories of supplies.....	7,637.52	
		\$ 19,505.71
INVESTMENT, less reserve		1.00

RECEIVABLE FROM AFFILIATED COMPANY :

Abitibi Power & Paper Company, Limited—

Balance owing in respect of period prior to Receivership.....	\$ 428,493.38	
Portion of power billings during period September 10, 1932 to April 30, 1937, being the excess of charges under power contract, over power used which has been charged to the Receiver and Manager of Abitibi Power & Paper Company, Limited.....	851,166.40	
	\$1,279,659.78	
G. T. Clarkson, Receiver and Manager of Abitibi Power & Paper Company, Limited—		
For power used and collections retained, etc.....	216,609.34	
		1,496,269.12

DEFERRED CHARGES :

Unexpired insurance, etc.....	962.73
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FIXED ASSETS :

Waterpowers, lands, buildings, etc., at appraised value as reported by Walter J. Francis & Co., Engineers, as at September 1925, plus subsequent additions, at cost.....	6,385,019.06
	<u>\$7,901,757.62</u>

NOTE —Investments in Kaministiquia Power Co., Limited are carried on the books of Abitibi Power & Paper Company, Limited and on the books of the Receiver and Manager thereof, as follows :

		As at December 31, 1941
Investment—		
5% First Mortgage Bonds with interest accrued thereon.....		\$3,514,583.33
Capital Stock (40,000 shares).....		950,000.00
Balance in Earned Surplus Account.....		963,405.59
		\$5,427,988.92
Less—Balances owing to Kaministiquia Power Co., Limited by—		
Abitibi Power & Paper Company, Limited.....	\$1,279,659.78	
Receiver and Manager of Abitibi Power & Paper Company, Limited.....	216,609.34	
		1,496,269.12
		<u>\$3,931,719.80</u>

KAMINISTIQUEIA POWER CO., LIMITED

BALANCE SHEET

DECEMBER 31, 1941

LIABILITIES

SUNDRY ACCOUNTS PAYABLE.....		\$	5,417.11
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FUNDED DEBT :

5% First Mortgage Gold Bonds, due 1968.....	\$3,500,000.00		
Interest accrued thereon.....	14,583.33		
			<u>3,514,583.33</u>

NOTE—Under the terms of the Indenture and Mortgage dated as of June 1, 1928 the company may be in default. These bonds are owned by Abitibi Power & Paper Company, Limited and are held as security by the Trustee under the Indenture and Mortgage dated June 1, 1928 securing the issue of First Mortgage Gold Bonds of that company.

RESERVE FOR DEPRECIATION OF PLANT.....			1,870,964.51
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CAPITAL STOCK AND SURPLUS :

Represented by shares without nominal or par value

Authorized and issued—

Class "A" Non-Voting 30,750 shares

Class "B" Voting 9,250 shares.....	\$	950,000.00
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Capital Surplus (no change during year).....		597,387.08
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	\$1,547,387.08
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Earned Surplus—

As per statement attached.....	963,405.59
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	<u>2,510,792.67</u>
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	<u><u>\$7,901,757.62</u></u>
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APPROVED ON BEHALF OF THE BOARD :

L. R. WILSON, Director

W. H. SMITH, Director

G. T. CLARKSON, Receiver and Manager,

ABITIBI POWER & PAPER COMPANY, LIMITED :

We have examined the books and accounts of Kaministiquia Power Co., Limited for the year ending December 31, 1941 and have obtained all the information and explanations which we have required. Except that no provision has been established against the account receivable from Abitibi Power & Paper Company, Limited nor for depreciation of fixed assets during the period from September 1, 1932 to December 31, 1936 (amounts aggregating \$691,000.00 have been provided for depreciation for the five years ending December 31, 1941), we report that, in our opinion, the above balance sheet at December 31, 1941 is properly drawn up so as to exhibit a true and correct view of the state of the company's affairs according to the best of our information and the explanations given to us and as shown by the books of the company.

TORONTO, April 8, 1942.

PRICE, WATERHOUSE & CO.,
Auditors.

KAMINISTIQUEA POWER CO., LIMITED

SURPLUS AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDING DECEMBER 31, 1941

PARTICULARS	AMOUNT
Surplus at December 31, 1940.....	\$1,014,734.05
Profit from operations for the year ending December 31, 1941, before providing for depreciation (after charging executive salaries as represented by amounts paid to officers \$8,200.00).....	\$ 313,671.54
Less—Provision for depreciation.....	\$ 190,000.00
Interest on 5% First Mortgage Gold Bonds.....	175,000.00
	<u>365,000.00</u>
Loss for the year.....	51,328.46
BALANCE AT DECEMBER 31, 1941.....	<u><u>\$ 963,405.59</u></u>

MATTAGAMI RAILROAD COMPANY

Balance Sheet and Profit and Loss Account

MATTAGAMI RAILROAD COMPANY

BALANCE SHEET

DECEMBER 31, 1941

ASSETS

SUNDRY ASSETS :

Cash on deposit.....	\$ 100.00	
Accounts receivable.....	2,206.84	
Inventory of coal, etc., at cost.....	6,792.79	
		\$ 9,099.63

RECEIVABLE FROM AFFILIATED COMPANY :

Abitibi Power & Paper Company, Limited.....	\$ 97,460.12	
G. T. Clarkson, Receiver and Manager of Abitibi Power & Paper Company, Limited.....	84,505.69	
		181,965.81

DEFERRED CHARGES :

Unexpired insurance.....	876.25
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FIXED ASSETS :

Rolling stock, rails, equipment, etc.....	244,966.94
	<u>\$436,908.63</u>

NOTE —The investment in Mattagami Railroad Company is carried on the books of Abitibi Power & Paper Company, Limited and on the books of the Receiver and Manager thereof, as follows :

		As at December 31, 1941
Investment—		
Capital Stock (2,500 shares).....		\$250,000.00
Balance in Earned Surplus Account.....		149,325.04
		<u>\$399,325.04</u>
Less—Balances owing to Mattagami Railroad Company by—		
Abitibi Power & Paper Company, Limited.....	\$ 97,460.12	
Receiver and Manager of Abitibi Power & Paper Company, Limited	84,505.69	
		181,965.81
		<u>\$217,359.23</u>

MATTAGAMI RAILROAD COMPANY

BALANCE SHEET

DECEMBER 31, 1941

LIABILITIES

SUNDRY ACCOUNTS PAYABLE.....	\$ 2,583.59	
RESERVE FOR DEPRECIATION		35,000.00
CAPITAL STOCK AND SURPLUS :		
Common Shares :		
Authorized—		
10,000 shares of \$100.00 each	\$1,000,000.00	
Issued—		
2,500 shares of \$100.00 each	\$ 250,000.00	
Earned Surplus—		
As per statement attached.....	149,325.04	399,325.04
		<u>\$436,908.63</u>

G. T. CLARKSON, Receiver and Manager,
ABITIBI POWER & PAPER COMPANY, LIMITED :

We have examined the books and accounts of Mattagami Railroad Company for the year ending December 31, 1941 and have obtained all the information and explanations which we have required. No provision has been established against the account receivable from Abitibi Power & Paper Company, Limited nor has provision been made for income and excess profits taxes, if any, in respect of the profits for the year ending December 31, 1940. Provision was not made for accruing depreciation of rolling stock, rails and equipment, etc., up to December 31, 1936, but amounts aggregating \$35,000.00 have been provided towards depreciation in the five years ending December 31, 1941. Except as to the foregoing, we report that, in our opinion, the above balance sheet at December 31, 1941 is properly drawn up so as to exhibit a true and correct view of the state of the company's affairs according to the best of our information and the explanations given to us and as shown by the books of the company.

TORONTO, April 8, 1942.

PRICE, WATERHOUSE & CO.,
Auditors.

MATTAGAMI RAILROAD COMPANY

SURPLUS AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDING DECEMBER 31, 1941

PARTICULARS	AMOUNT
Surplus at December 31, 1940	\$158,839.71
Profit from operations for the year ending December 31, 1941, before providing for depreciation.....	\$ 485.33
<i>Less</i> —Provision for depreciation.....	10,000.00
Loss for the year.	9,514.67
BALANCE AT DECEMBER 31, 1941.....	<u>\$149,325.04</u>

PROVINCIAL PAPER, LIMITED

Balance Sheet and
Profit and Loss Account

PROVINCIAL PAPER, LIMITED

BALANCE SHEET

DECEMBER 31, 1941

ASSETS

CURRENT ASSETS :

Cash on hand and in banks	\$ 441,301.76
Accounts receivable, less reserve for bad debts, etc.....	1,209,120.44
Dominion and Provincial Government bonds, at cost (market value \$696,750.00).....	699,160.00
Inventories of paper, pulpwood, materials and supplies valued at or below present market prices, not above cost, as determined and certified to by responsible officials of the company, and expenditures on 1941 wood operations.....	1,511,997.78
	\$ 3,861,579.98

NOTE—The net current assets include \$54,025.22 of United States funds which are expressed in Canadian dollars, the exchange premium of \$5,402.52 not being taken up in the accounts as at December 31, 1941.

OTHER ASSETS :

Investments in subsidiary and other companies.....	181,275.31
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PROPERTY AND PLANT :

Land, buildings, equipment, etc.....	9,903,398.77
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DEFERRED CHARGES :

Unexpired insurance, etc.....	6,841.97
	\$13,953,096.03

NOTE—The investment in shares of Provincial Paper, Limited is carried on the books of Abitibi Power & Paper Company, Limited and on the books of the Receiver and Manager thereof, as follows :

As at
December 31,
1941

Investments in Shares of and Advances to Corporations other than Wholly Owned Subsidiaries—

100,000 shares common stock without nominal or par value, carried at arbitrary value of.....	\$ 1,500,000.00
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PROVINCIAL PAPER, LIMITED

BALANCE SHEET

DECEMBER 31, 1941

LIABILITIES

* CURRENT LIABILITIES :

Accounts payable and accrued liabilities.....	\$ 278,316.30	
Dividend on preferred stock—1¾% payable January 2, 1942	61,250.00	
Bond interest accrued.....	28,471.66	
Reserve for Dominion and Provincial Income and Excess Profits taxes (estimated).....	474,595.49	
		\$ 842,633.45

MORTGAGE DEBT :

5½% First Mortgage Sinking Fund Redeemable Bonds, due 1947 :		
Authorized.....	\$10,000,000.00	
Issued.....	\$5,300,000.00	
Less—		
Redeemed.....	2,194,000.00	
		3,106,000.00

NOTE : The principal and interest on the above bonds are payable at the holder's option in Canadian or United States currency.

RESERVE FOR DEPRECIATION OF BUILDINGS AND EQUIPMENT.....	4,525,384.28
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GENERAL RESERVES.....	621,286.11
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CAPITAL STOCK :

Authorized and issued—		
35,000 shares 7% cumulative preferred stock of \$100.00 each..	\$3,500,000.00	
100,000 shares common stock without nominal or par value.....	100,000.00	
		3,600,000.00

SURPLUS.....	1,257,792.19
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	\$13,953,096.03

AUDITORS' REPORT TO THE SHAREHOLDERS :

We have examined the books and accounts of Provincial Paper, Limited for the year ending December 31, 1941 and have obtained all the information and explanations which we have required. We report that, in our opinion, the above balance sheet at December 31, 1941 exhibits a true and correct view of the state of the company's affairs according to the best of our information and the explanations given to us and as shown by the books of the company. All our requirements as auditors have been complied with.

TORONTO, February 6, 1942.

PRICE, WATERHOUSE & CO.,
Chartered Accountants.

PROVINCIAL PAPER, LIMITED

STATEMENT OF SURPLUS AND PROFIT AND LOSS FOR THE YEAR ENDING DECEMBER 31, 1941

PARTICULARS	AMOUNT
Profit for the year ending December 31, 1941, including income from investments, but before providing for the undernoted charges.....	\$1,267,652.77
DEDUCT :	
Provision for depreciation.....	\$300,000.00
Interest on mortgage debt.....	\$176,176.79
U.S. exchange premium paid thereon.....	18,939.53
	<u>195,116.32</u>
	495,116.32
Profit for the year, before providing for income and excess profits taxes.....	\$ 772,536.45
DEDUCT :	
Provision for Dominion income and excess profits taxes (estimated)	400,000.00
	<u>400,000.00</u>
Net Profit for the year	\$ 372,536.45
ADD :	
Surplus as at January 1, 1941.....	1,130,255.74
	<u>1,130,255.74</u>
	\$1,502,792.19
DEDUCT :	
Dividends on 7% cumulative preferred stock.....	245,000.00
	<u>245,000.00</u>
SURPLUS AS AT DECEMBER 31, 1941.....	<u>\$1,257,792.19</u>

